

## COMMISSION AGENDA ITEM

### Item 8(b) – Extension & Addition of Funds to David&Goliath, LLC (D&G) Contract



**Date:** November 21, 2024

**To:** California State Lottery Commission

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Director

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**Subject:** Item 8(b) – Extension and Addition of Funds to David&Goliath, LLC (D&G) Contract

### **ISSUE**

The California State Lottery (Lottery) is seeking a contract extension for David&Goliath, LLC (D&G), for lead agency marketing and advertising services. With the current term set to expire August 18, 2025, the Lottery is requesting to exercise the emergency extension option in the contract to continue services with D&G through May 18, 2026.

### **BACKGROUND**

As a result of a formal solicitation in 2018, the California State Lottery Commission (Commission) awarded D&G a five-year contract for lead agency marketing and advertising services with an initial contract expenditure authority of \$295 million and options to extend for two one-year terms. In 2023, the D&G contract was extended one year, and the expenditure authority was increased by \$129 million. The contract was extended in 2024 one additional year through August 18, 2025, and the expenditure authority was increased by \$105 million for a maximum authorized contract expenditure of \$529 million.

Under the terms and conditions of the contract, there is an Emergency Extended Service provision that allows the Lottery to extend the contract up to nine months in the event of an urgent and compelling need.

### **DISCUSSION**

D&G plays a crucial role in supporting the Lottery's marketing and advertising initiatives by assisting with market analysis, strategy development, creative and messaging, and media planning and buying. Throughout the contract, D&G has consistently delivered the expertise required to execute complex, multi-layered campaigns, making them a valuable partner to Lottery's marketing team. Their contributions, including the successful launch and ongoing

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support of key initiatives like the Scratchers Category Repositioning Effort and the Jackpot Alert program, have been instrumental in advancing the Lottery's strategic objectives and assisting in achieving the Lottery's mission of providing supplemental funding for California's public schools and colleges.

The Lottery has begun work on a procurement for a new lead agency marketing and advertising services contract (Lead Agency RFP). It is a complex, involved, and important procurement, that generally takes 12-18 months to develop, implement and complete. The contractor selected in this role will be the main marketing agency responsible for developing and leading strategy, creative asset, and media plan development across all marketing agency partners to support Lottery marketing efforts. While there was initially adequate time to develop and execute the Lead Agency request for proposal (RFP) procurement, new circumstances will require more time to complete the Lead Agency procurement.

The primary marketing subject matter expert and team lead on the RFP has retired. Additional vacancies in multiple key positions within the Marketing unit have also left a resource gap and have required existing staff to pick up duties and carry out an expanding docket of important time-sensitive projects and ongoing day-to-day marketing activities, including the proposed Mega Millions enhancement and the Lottery 40<sup>th</sup> Anniversary as well as the Lead Agency procurement, until staff are hired for the vacant roles. Additionally, the added extension will help avoid conflicts with the Scratchers Printing vendor RFP. Key division employees are involved in both procurements and the extension will provide additional time to help balance and avoid overlap of staff resources.

As of November 2024, it is estimated that there will be approximately \$13 million remaining in the D&G contract expenditure authority at the end of the current extension expiration date of August 18, 2025. To ensure sufficient funding through the proposed emergency extension ending on May 18, 2026, Lottery staff recommends increasing the contract expenditure authority by \$83 million. This additional funding will enable continued support for the Lottery's Business Plan initiatives and future marketing efforts.

### **RECOMMENDATION**

Lottery staff recommends the Commission approve a nine-month emergency extension of the David&Goliath, LLC contract and an increase in the expenditure authority of \$83 million to continue marketing and advertising services without interruption. The amendment will extend the term through May 18, 2026, with a maximum authorized contract expenditure of \$612 million.